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## ABSTRACT

While most American children are not poor, the proportion of children living in poverty has remained at or near 20 percent since the early 1980s. Childhood poverty can have short- and long-term negative consequences for children. Growing up at or near the poverty line can affect the quality of a family's housing, children's access to nutritious food and adequate health care, and parents' ability to provide toys, books, and recreational or educational opportunities for their children. Poor children are also more likely than children who are not poor to experience difficulties in school, to become teen parents, and, as adults, to earn less and be unemployed more often. The effects of being raised in a family with income substantially below the poverty line are correspondingly more damaging. Until 1997, many poor families with children received cash assistance from Aid to Families with Dependent Children (AFDC), a 60-year-old entitlement program. Welfare reform legislation enacted in August 1996 replaced AFDC with the Temporary Assistance to Needy Families (TANF) program, which, among other changes, sets time limits on families' receipt of welfare. Several studies are currently underway to assess the effects of TANF on children's well-being, but it may be some years before researchers can speak definitively to the long-term effects of welfare reform on children. (KB)

# Child TRENDS RESEARCH BRIEF

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## Poverty, Welfare, and Children: A Summary of the Data

Childhood poverty can have short- and long-term negative consequences for children. Growing up at or near the poverty line (\$16,660 for a family of four in 1998) can affect the quality of a family's housing, children's access to nutritious food and adequate health care, and parents' ability to provide toys, books, and recreational or educational opportunities for their children. Poor children are also more likely than children who are not poor to experience difficulties in school,<sup>1</sup> to become teen parents,<sup>2</sup> and, as adults, to earn less and be unemployed more.<sup>3</sup> The effects of being raised in a family with income substantially below the poverty line are correspondingly more damaging.

Until 1997, many poor families with children received cash assistance from Aid to Families with Dependent Children (AFDC), a six-decade old entitlement program. Welfare reform legislation enacted in August 1996 replaced AFDC with the Temporary Assistance to Needy Families program (TANF), which among other changes, sets time limits on families' receipt of welfare. Several studies are currently underway to assess the effects of TANF on children's well-being, but it may be some years before researchers can speak definitively to the long-term effects of welfare reform on children.

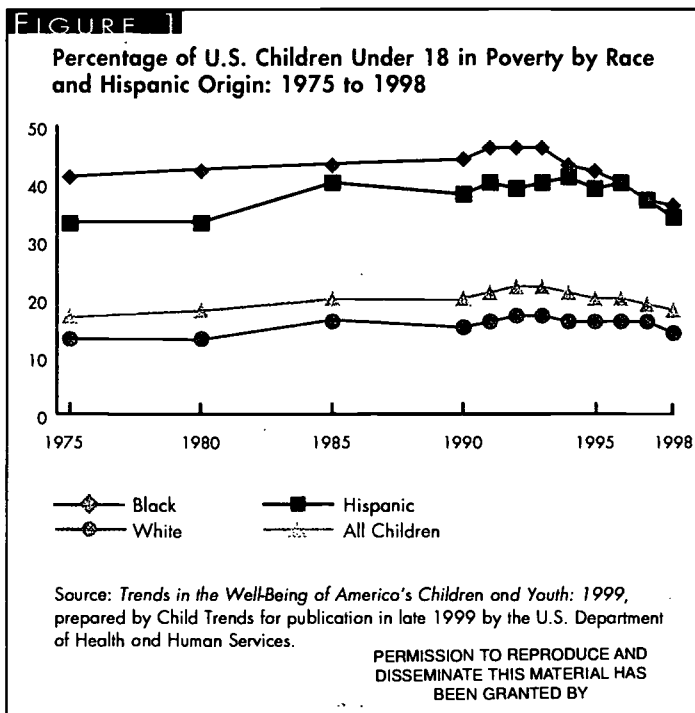
### Children in Poverty

Almost one in five children were poor in 1998. The proportion of children at or below the poverty line increased from 17 percent in 1975 to 22 percent in 1993 and has since decreased to 18 percent in 1998, the lowest it has been since 1980.

- In 1998, 36 percent of black and 34 percent of Hispanic<sup>4</sup> children lived in poverty, compared with 14 percent of white children. (See Figure 1.)

**Children in Extreme Poverty.** The proportion of children living in extreme poverty (i.e., in families with cash incomes less than 50 percent of the poverty line<sup>5</sup>) doubled from 5 percent in 1975 to 10 percent in 1992. By 1998, this percentage had decreased to 8 percent.

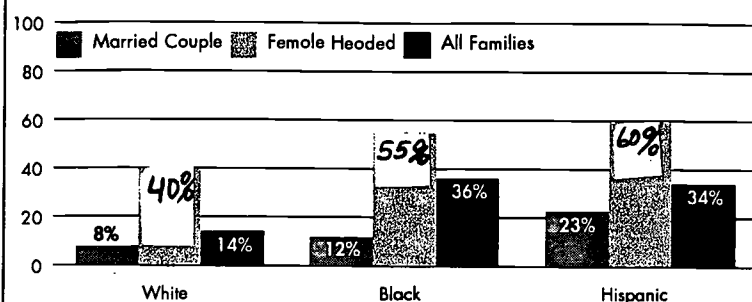
- In 1998, 17 percent of black children, 13 percent of Hispanic children, and 5 percent of white children lived in extreme poverty.



Carol A. Emig

**FIGURE 2**

**Percentage of U.S. Children Under 18 in Poverty by Family Structure, Race, and Hispanic Origin: 1998**



Source: Trends in the Well-Being of America's Children and Youth: 1999, prepared by Child Trends for publication in late 1999 by the U.S. Department of Health and Human Services.

**Poverty by Family Structure.** Children who live with only one parent are much more likely to be poor than children who live with two married parents. This is true for white, black, and Hispanic children, although the percentages vary across racial/ethnic groups. In 1998, almost half (46 percent) of all children living in female-headed families were poor, a proportion that has been roughly the same throughout the 1990s. In contrast, fewer than one in every ten children who lived in married-couple families (9 percent) were poor.

**Poverty by Age of Child.** Young children are more likely than older children to be poor. In 1998, for all families with related children, 21 percent of children under 6 were poor compared with 17 percent of children ages 6 through 17.

**Long-term Childhood Poverty.** Children who are poor for extended periods of time are more likely to suffer negative outcomes than children who are poor for short periods of time. For example, children who live in prolonged poverty, on average, have lower academic achievement scores, are less likely to graduate from high school, and obtain fewer years of schooling than children not exposed to long-term poverty.<sup>6</sup> As adults, they earn less on average than their peers who did not grow up poor.

While the majority of children experience poverty for only a small portion of their childhood, some children, particularly many black children, spend extended periods in poverty.

- Among black children who were under age 6 in 1982, 41 percent were never poor during the next ten years; 43 percent were poor for at least three of the ten years that followed; 28 percent of black children were poor for six or more of those years; and 17 percent were poor for at least nine years during this same time period. (See Table 1.)
- In contrast, among nonblack children under age 6 in 1982, 79 percent were never poor during the next ten years; 9 percent were poor for three or more of those years; 3 percent were poor for six or more years; and 1 percent were poor for at least nine years. (See Table 1.)

**TABLE 1**

**Percentage of Children in the United States living in poverty over 10-year period, by number of years in poverty and by race: 1982-1991**

	Never	Number of Years in Poverty			
		1 or more years	3 or more years	6 or more years	9 or more years
1982-1991					
All children under age 6 in 1982	73	27	15	7	4
Black children	41	59	43	28	17
Non-black children	79	21	9	3	1

Source: Trends in the Well-Being of America's Children and Youth: 1999, prepared by Child Trends for publication in late 1999 by the U.S. Department of Health and Human Services.

## Welfare Receipt

In 1997, 9 percent of all children in the United States lived in families receiving cash assistance. This proportion has decreased each year since 1993, when it reached a high of 14 percent. ("Cash assistance" here refers specifically to TANF, AFDC, or General Assistance.)

Food Stamp receipt shows a similar pattern. In 1997, 15 percent of all children lived in households receiving Food Stamps. The proportion peaked at 20 percent in 1993 and has declined since then.

**Long-term Welfare Receipt.** Among children, short-term welfare receipt is more common than long-term receipt. For children who were younger than 6 in 1982:

- About one in five (21 percent) received AFDC for at least one year during the next ten years.
- Eight percent received AFDC at least six of those ten years.
- Four percent received AFDC for at least nine years.

Long-term welfare receipt is more common for black children than nonblack children. Among children who were under age 6 in 1982:

- Twenty-six percent of black children were on AFDC at least six of the next ten years, compared to 5 percent of nonblack children.
- Similarly, 17 percent of black children were on AFDC for at least nine years, compared to 2 percent of nonblack children.

**Reducing Poverty Through Transfer Programs.** The federal system of cash and near-cash transfers<sup>7</sup> has played a substantial role in reducing poverty among children. However, its collective effect has varied substantially over time. In 1979, federal cash and near-cash transfers reduced poverty by 37 percent among families with children under age 18. In 1983, the same transfer programs reduced poverty by only 19 percent. By 1989, the percentage reduction in poverty had risen to 24 percent, and then to 34 percent in 1996.

In the absence of any federal transfers, 20 percent of all persons living in families with children would have been poor in 1996. Social insurance programs other than Social Security

(e.g., unemployment insurance and worker's compensation) reduced the poverty rate to 19 percent. The Social Security system reduced the poverty rate further to 18 percent. After inclusion of means-tested cash transfers (primarily Supplemental Security Income (SSI) and AFDC), the poverty rate fell to 17 percent. The official poverty rate does not take account of non-cash transfers. However, if their values were counted, food and housing benefits would cut the poverty rate further to 14 percent. Finally, the federal tax system, primarily through the Earned Income Tax Credit (EITC), would reduce the poverty rate of all persons living in families with children to 13 percent.

## Conclusion

While most American children (82 percent in 1998) are not poor, the proportion of children living in poverty has remained at or near one in five since the early 1980s. Will welfare reform reduce that rate substantially? For some families, the increase in maternal employment resulting from TANF requirements may move a family above the poverty line. For others, mothers' earnings may simply replace welfare payments but not be sufficient to raise families out of poverty. Policy makers are closely tracking changes in the level and source of family income, but how else might this major policy change affect children and families? Multi-year studies underway at Child Trends and elsewhere are examining the effects of welfare reform on a range of child outcomes, including health, school performance, and emotional and behavioral problems. This research may ultimately provide useful information to policy makers about the status of some of the nation's most vulnerable children.

This brief, written by Michelle Harper and Sharon Vandivere, summarizes a longer discussion and presentation of economic data by Richard Wertheimer, Ph.D., in *Trends in the Well-Being of America's Children and Youth: 1999*, prepared by Child Trends for publication in late 1999 by the U.S. Department of Health and Human Services. Detailed source references for the data in this brief can be found in the

*Trends* report. Additional data on 1998 poverty rates were obtained from: Dalaker, Joseph, U.S. Census Bureau, Current Population Reports, Series P60-207, *Poverty in the United States: 1998*, U.S. Government Printing Office, Washington, D.C., 1999.

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Child Trends gratefully acknowledges the John D. and Catherine T. MacArthur Foundation and the Freddie Mac Foundation for support of its research brief series.

## Endnotes

1. Parker, S., Greer, S., and Zuckerman, B. 1988. "Double Jeopardy: The Impact of Poverty on Early Childhood Development." *Pediatric Clinics of North America*, 35:1-10.
2. An, C., Haveman, R., and Wolfe, B. 1993. "Teen Out-of-Wedlock Births and Welfare Receipt: The Role of Childhood Events and Economic Circumstances" *Review of Economics and Statistics*, 75:195-208.
3. Duncan, G., and Brooks-Gunn, J. 1997. "Income Effects Across the Life Span: Integration and Interpretation" In *Consequences of Growing Up Poor* (G. Duncan and J. Brooks-Gunn, eds.). New York: Russell-Sage Press.
4. Persons of Hispanic origin may be of any race. Estimates for whites and blacks include persons of Hispanic origin.
5. Fifty percent of the poverty line in 1998 was \$8,330 for a family of four.
6. Duncan, G., and Brooks-Gunn, J. 1997. "Income Effects Across the Life Span: Integration and Interpretation" In *Consequences of Growing Up Poor* (G. Duncan and J. Brooks-Gunn, eds.). New York: Russell-Sage Press.
7. Federal cash and near-cash transfers, which refer to federal programs that provide income or services to individuals and families, include Social Security, unemployment compensation, workers' compensation, all means-tested cash transfers, and food and housing benefits. Federal payroll taxes (for Social Security and Medicare) can be thought of as a *negative* transfer (since they always transfer income from individuals to the federal government). Federal income taxes can be either a positive or a negative transfer. Families with children and relatively low taxable income, most of which comes from earnings, can receive a substantial income transfer from the federal government due to the Earned Income Tax Credit.

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